



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

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ATLANTA, GEORGIA 30303-8960

December 10, 2007

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

SUBJECT: Draft Environmental Impact Statement for Hydropower Licenses for the Yadkin Hydroelectric Project (FERC Project No. P-2197-073); and the Yadkin-Pee Dee River Hydroelectric Project (FERC Project No. P-2206-030) in Anson, Davidson, Davie, Montgomery, Richmond, Rowan, and Stanly Counties, North Carolina

Dear Secretary Bose:

The U.S. Environmental Protection Agency (EPA) has reviewed the referenced Draft Environmental Impact Statement (EIS) in accordance with its responsibilities under Section 309 of the Clean Air Act and Section 102(2)(C) of the National Environmental Policy Act (NEPA). The Federal Energy Regulatory Commission (FERC) proposes to approve two new major licenses for the Yadkin Hydroelectric Project, FERC Project No. 2197 (Yadkin Project) and the Yadkin-Pee Dee River Hydroelectric Project, FERC Project No. P-2206 (Yadkin-Pee Dee Project). The Yadkin Project is located on the Yadkin River in Davidson, Davie, Montgomery, Rowan, and Stanly Counties, North Carolina. The Yadkin-Pee Dee Project is located on the Yadkin and Pee Dee Rivers in Anson, Montgomery, Richmond, and Stanly Counties, North Carolina. The Yadkin Project is owned by Alcoa Power Generating Inc. (Alcoa Generating), and Progress Energy Carolinas (Progress Energy) owns and operates the Yadkin-Pee Dee Project. The current licenses will expire on February 10, 2008. Alcoa Generating and Progress Energy filed license applications with FERC for two new licenses under Part I of the Federal Power Act on April 25, 2006, and April 26, 2006, respectively.

The Yadkin Project has an installed capacity of 210 megawatts (MW) and includes four hydroelectric dams with associated reservoirs in central North Carolina. The four hydroelectric developments, High Rock, Tuckertown, Narrows, and Falls, are located on a 38-mile stretch of the Yadkin River. The Yadkin-Pee Dee Project has an installed capacity of 108.6 MW and includes two hydroelectric developments, Tillery and Blewett Falls, located on an approximately 46-mile stretch of the Yadkin-Pee Dee River in central North Carolina. The Yadkin River becomes the Pee Dee River at its confluence with the Uwharrie River located at the upper end of Tillery reservoir. Outflows from the Tillery Development flow into the Blewett Falls reservoir after passing through a 20.5-mile reach of the Pee Dee River. Downstream from the Blewett Falls dam, the Pee Dee River flows approximately 16 miles where it enters South Carolina. From there it continues for approximately 172 miles unimpounded before it enters the Atlantic Ocean via Winyah Bay.

Three alternatives were evaluated in the Draft EIS: 1) the no action alternative (continued operation as required by the existing licenses); 2) final settlement agreement (FSA) conditions developed by Alcoa Generating and Progress Energy in cooperation with a number of public and private stakeholders; and 3) FERC staff-recommended alternative for both licenses. The FERC staff alternative, which includes the FSA conditions and some additional modifications, is the preferred alternative.

EPA participated in the enhanced-traditional FERC relicensing process for both licensees, including acting as a participant in the settlement agreement proceedings referenced in the Draft EIS. We were involved with several issue advisory groups and resource working groups related to the development of specific study plans and conducted reviews and submitted comments on draft study reports. EPA submitted comments on the Draft License Applications and signed onto the two Agreements in Principle that preceded the FSAs. However, EPA did not sign the FSAs due to concerns related to our statutory and regulatory roles.

Despite not signing the FSAs, EPA strongly supports the collaborative process that was used to develop the FSAs, as well as many of the individual elements contained in the FSAs that are now largely represented in the FERC staff alternative. These agreements represent significant attempts on the part of Alcoa Generating and Progress Energy to balance many stakeholder interests through intensive mutual gains negotiations. The settlement agreements described in Section 2.2 of the Draft EIS constitute a comprehensive and balanced approach to water and natural resource management within the Project area and downstream.

There are significant environmental protection and enhancement measures proposed as part of the FERC staff alternative for the new licenses. EPA would like to highlight those that are of particular importance for inclusion in the new license for these projects. EPA supports the increased and more regular downstream flows (measured as either daily average or continuous minimum) throughout the project to better protect aquatic life, including the flow adjustment periods during the spring to enhance fish spawning below Blewett Falls. Given the disagreement on the appropriate level of minimum flows to be provided below Tillery dam, EPA strongly supports the need for a comprehensive monitoring program to ensure that the provided minimum flows are adequately protecting aquatic life in the Pee Dee River below Tillery. EPA also supports FERC's recommendation to develop the monitoring plan in consultation with appropriate agencies and to include specific evaluation criteria to assist in the identification and implementation of appropriate corrective measures, if necessary. We recommend that this consultation include EPA, U.S. Fish and Wildlife Service, National Marine Fisheries Service, North Carolina Department of Environment and Natural Resources, and the North Carolina Wildlife Resources Commission, at a minimum.

The coordination between the Yadkin Project and the downstream Yadkin-Pee Dee Project to provide these downstream flows and participate in a jointly-managed low inflow protocol (LIP), a critical addition to the new license, should be commended. The LIP prescribes how both projects would be operated and water conserved during periods when there is not enough water in the system to meet all needs. The inclusion of the LIP in the new license is vital to ensure that the critical low flows necessary to continue to meet water quality standards and aquatic life use support are provided during times of drought.

Another important element of the preferred alternative for both projects is inclusion of commitments by Alcoa Generating and Progress Energy to undertake a series of Project modifications designed to increase dissolved oxygen (DO) concentrations and enhance water quality in the six Project tailwaters. Currently, discharges from all six project developments do not meet state water quality standards for DO during several months of the year. Several waterbodies in the project area, including reaches of the Yadkin/Pee Dee River, are not meeting their designated uses and are considered impaired by the State of North Carolina for turbidity, chlorophyll a, and low DO. EPA supports an overall program and commitments in the new license to ensure that discharges from all six dams meet state water quality standards. It is our expectation that the Clean Water Act Section 401 Water Quality Certification from the State of North Carolina will include provisions that require the two applicants to meet state DO water quality standards. In this regard, EPA supports inclusion of the proposed DO enhancement program in both licenses, including rigorous continuous monitoring, to validate success of the project modifications.

EPA also supports the limitations on Project reservoir level fluctuations during important spring spawning periods, as well as the proposed shoreline management policy for Blewett Falls Reservoir that would prohibit private access across Project lands except at the designated public access areas. By this measure, shoreline management will focus on natural resource protection to preserve the largely undisturbed nature of the Blewett Falls impoundment.

Based on the extensive environmental protection measures and monitoring programs described in the Draft EIS, EPA has no additional concerns related to this project. We rate this document LO (Lack of Objections). We appreciate the opportunity to review the proposed action. Please contact Ben West of my staff at (404) 562-9643 if you have any questions or want to discuss our comments further.

Sincerely,

A handwritten signature in black ink, appearing to read "Heinz Mueller", with a long horizontal flourish extending to the right.

Heinz J. Mueller, Chief
NEPA Program Office
Office of Policy and Management

cc: U.S. Fish and Wildlife Service, Raleigh Office
U.S. Forest Service – National Forests in North Carolina
North Carolina Division of Water Resources
North Carolina Division of Water Quality
North Carolina Wildlife Resources Commission
South Carolina Department of Natural Resources
South Carolina Department of Health and Environmental Control
Alcoa Generating
Progress Energy